

Annex B

CITY OF YORK COUNCIL

RESPONSE TO OFT CONSULTATION

PUBLIC TRANSPORT TICKETING SCHEMES BLOCK EXEMPTION REVIEW

INTRODUCTION

City of York Council is a Unitary Authority in North Yorkshire.

Bus services within York are provided by seven operators, although direct competition is limited to just three corridors.

Whilst there is not currently any multi-operator ticketing in use in York, it is our aspiration that a multi-operator travelcard be introduced in the near future. We are concerned that the operators providing bus services in York are reticent to enter into such a scheme, not least for fear of falling foul of the Competition Act.

The responses provided to the consultation document reflect the views of City of York Council. However, we wish it to be noted that it is our opinion that ticketing arrangements for bus services should be exempted in full from the Competition Act. This is because, unlike most retail industries, buses are viewed by the public as a mode rather than a brand. Therefore the choice made by the consumer is to what mode they will use rather than which company and any brand loyalty equally applies only to the mode. People decide that they will use 'the bus' rather than 'the car' in order to make a journey. We do not believe that people ever say that they will 'use the First' or 'use the Stagecoach' rather than 'use the Audi' or 'use the Ford'.

The deciding factors in making such a choice are first, speed of journey and secondly, ease of use. The existing regulations conspire against the bus in the latter category. Because journey time is perceived as the most important factor, people will take the first bus to arrive, regardless of operator even if they know that another company may offer a slightly cheaper fare. They are then penalised by being forced to purchase a single ticket as they know not with whom they will make any return journey. It is our experience that many do not even notice the name of the company with whom they travel and therefore, only where a single operator holds a monopoly does the option to purchase a return or multi-journey ticket become an option. One of the most common complaints made to this authority is that legislation requires fares and thus journeys to be 'operator specific'.

Any request for clarification or additional information in regard to the responses given below should be addressed to:

City of York Council

Transport Planning Unit

9, St. Leonard's Place

YORK

YO1 7ED

RESPONSES

1. We have no doubt that integrated ticketing schemes, be they multi-operator travelcards, multi-operator individual tickets, through tickets or add-ons offer economic benefits to consumers. However, as noted above, we consider the existing arrangements too restrictive and not recognising the wishes or needs of the consumer in permitting the full development of an integrated transport system. We believe it essential that operators be able to match journey opportunities to demand in a manner that allows for seamless travel at an affordable price.
2. We are concerned that the PTTS Block Exemption does indeed impose unnecessary conditions on the operators. Whilst we accept that the ability to fix the end price of an MTC is indispensable. However, agreements for the adoption of MTC's are difficult to attain, firstly because they must always be priced above that of the highest priced operator specific travelcard in the scheme area. Smaller operators usually have lower overheads than large groups and are therefore able to offer cheaper fares, thus the higher price of the MTC penalises those who make the majority of their journeys on the smaller operator's services. These operators are therefore not incentivised to join such a scheme; however not doing so then risks alienating their passengers. There is an argument for adopting the system where operators are reimbursed according to the number of passengers carried. However, this presents difficulties, firstly with guaranteeing accuracy of figures and secondly accounting for the length of journey. As fare scales are normally arranged in stages, it would be grossly unfair if an operator would to gain 80% of the income from the sale of an MTC if, for example, the value of journeys undertaken using these tickets was less than that of another operator carried numerically fewer passengers but who undertook journeys of a higher overall value.,

We have first hand experience of the problems caused by the 'revenue must lie where it falls' requirement for MIT's. One corridor is served commercially during the day by one company but another during the evenings and early mornings when the first does not run. This latter operator would be disadvantaged by entering into an MIT agreement so refuses to do so, resulting in the passengers along this corridor being penalised. Whilst this situation may meet the conditions for individual exemption, the process for obtaining such is such as to dissuade the operator who provides the daytime service from wishing to apply. There is insufficient revenue from this corridor alone to justify the cost of setting up an MTC scheme. Therefore the system fails to provide the benefit it could.

As for timetables, the suggestion that co-ordination in the form of equal headways along routes that do compete is damaging to passengers is so ludicrous as to be almost laughable. Few bus services outside of London operate on such high frequencies that waiting time is not an issue. Another frequent complaint voiced by the public is that they have to wait for an excessive amount of time, only for two buses then to come along together; in rural areas this period can be upto two hours. As stated above, buses are regarded as a mode that compete (or should compete) with other modes. The true benefits of MTC's (and other exempted tickets) can only be realised if accompanied by co-ordination agreements that provide for a regularly spaced, attractive service. This would not deflect from competition in as much as operators would then be judged on service; passengers are more likely to time their journey to coincide with a bus operated by the

company perceived to offer the better level of service than, as happens now, they simply board the first to arrive.

3. We are happy that the types of scheme covered by the PTTS Block Exemption could provide the benefits we consider desirable and certainly these could not be obtained should these multi-operator tickets not be available. However, we do believe that MIT's should not be so restricted that revenue must lie where it falls as, as described above, this works counter to the principle. Whilst we accept that, when an MIT is seen as the best way to provide the benefits required, there may be certain parameters that need to be met in order to permit a revenue sharing agreement to be entered into, the ability to do so is seen as indispensable.
4. Although we have only limited experience of working within the PTTS Block Exemption, for the reasons outlined above, we have no doubt that such tickets do pass on to consumers a fair share of economic benefits. Our concern is that the restrictive nature of the exemption as it currently exists prevents consumers from deriving all the benefits possible.
5. We have seen no evidence that the availability of multi-operator ticketing schemes acts in any way as a deterrent to new entrants or eliminates any aspect of competition. If anything, we believe that these schemes help to grow the market and thereby encourage new entrants as they then have equal opportunity to acquire a share of that market.
6. We agree that without the PTTS Block Exemption, operators would choose not to participate in or support the establishment of new schemes. As previously stated, even with the PTTS Block Exemption, we have experienced reticence on the part of the operators in York to enter into such schemes, either through fear of unintentionally breaking competition law or where they consider that to do so does not present a suitably attractive financial proposition. Whilst fair apportionment of revenue seems to be the main argument against introducing an MTC, we are concerned that the 'revenue must lie where it falls' requirement seems to be the main argument offered against the introduction of MIT schemes. Whilst we are unaware of any undue concerns in regard of through or add-on ticketing, there would appear to be general agreement that both MTC's and MIT's should permit revenue apportionment but that this can only be achieved reliably by the wide scale introduction of smart ticketing.
7. Since 2006, one operator has introduced operator specific mobile phone ticketing. We believe there is potential here for passengers to purchase a complete journey or set of journeys that would require use of two or more operator's services and that revenue apportionment would be relatively straight forward. Whilst we accept that there is a need for further investigation as to the extent of the possibilities this form of ticketing would make available, we are of the opinion that passengers would derive great benefit from being able to purchase a through or multi operator ticket specific to certain journeys and/or operators, particularly as this would likely attract a discounted fare. However, we do not believe the existing PTTS Block Exemption allows for such a possibility.
8. We do not feel that the proposal not to amend the PTTS Block Exemption to cater for the development of new technologies is correct. We believe that smart technologies are in fact well developed and that, with the requirement that all ENCTS cards are smart enabled and the recent announcement from Government that they wish to accelerate the introduction of smart card technology into the arena of bus ticketing, this issue should be addressed now. As previously alluded to, we are aware that if passengers are to obtain the full benefits that could be available through the extension of multi-operator schemes

permitted by the PTTS Block Exemption, operators need the reassurance that they will not suffer financially from entering into such agreements. We believe that the consensus view is that smart technology provides this reassurance and that, as a result, the industry is keen to accelerate its introduction. Indeed, smart card schemes are already live in many areas. The opportunity to address this must be taken now as to not do so risks substantial disbenefit to passengers. In particular we believe that this provides an ideal opportunity to widen the availability of MIT's by permitting accurate revenue apportionment.

9. Notwithstanding our general view as to suitability of the application of the Competition Act 1998 to the provision of local bus services as outlined above and to the possible outcomes of the Competition Commission enquiry into the industry, in view of the ongoing developments in technology and the possible changes in the way in which journeys are purchased, we agree that the proposed recommendation to extend the PTTS Block Exemption for a further five years to be correct.

September 2010